



Quarterly Revenue Update

March 2003



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This report is a quarterly publication that provides an update on the collection of selected County revenues. For questions, please call the above at (240) 777-8866.

➤ **First Three Quarter Results.** Total revenue collections of \$1.393 billion during the first three quarters of FY03 are 0.5% higher compared to the first three quarters of FY02 and essentially on target with the revised estimate for this fiscal year. It is important to note that the County receives collections on a monthly, quarterly, or semi-annual basis. Payments received on the last day of the month may not be recorded until the next quarter which may distort the comparison to the prior year when the collections may have been recorded differently.

➤ **Income Tax.** Collections for the first three quarters of FY03 are \$81.8 million, or 13.3%, below the collections during the first three quarters of FY02. The decline can be attributed primarily to a very weak 2001 tax year; a year in which net taxable income contracted an unprecedented 6.9% for the County. The decline in net taxable income is due to an estimated 54 percent drop in capital gains for County residents in 2001.

➤ **Property Tax.** Collections during the first three quarters of FY03 were 10.7% above the same period in FY02 and stronger than the 7.1% percent growth estimated in the revised forecast. Collections-to-date exceeded last year's by \$66.2 million. The increase in property taxes is the result of new construction, especially in the high-valued nonresidential structures, and the accelerated increases in home prices. Also, the double-digit increase is attributed to improved processing of property tax collections during the year.

➤ **Transfer and Recordation Taxes.** The decline in mortgage interest rates to historic lows, which has spurred mortgage refinancing, and the 57 % rate increase for the recordation tax from 0.44% to 0.69% provided record levels of collections from transfer and recordation taxes. Collections from the transfer tax during the first three quarters of FY03 were 10.1% above the same period last year, and collections from the recordation tax were 61.2% above last year, which is mainly attributed to the rate increase. Collections from both taxes were \$28.7 million above the first three quarters of FY02.

➤ **Other Taxes and Highway User Fund.** Collections from the fuel and energy tax and the hotel and motel tax were 14.7% and 9.5% higher, respectively, during the first three quarters of FY03 compared to the same period in FY02. Such increases have offset the declines in the highway user fund (-2.4%) and the telephone tax (-4.2%). Total collections from these taxes exceeded last year's collections by \$1.9 million.

➤ **Investment Income.** The accommodative monetary policy of the Federal Reserve during the past year and a half has effectively cut the interest rates on money market instruments to their lowest in over fifty years. While such rate cuts have helped the national economy recover from the recession that began in March 2001, they have cut the yields on short-term money market instruments particularly those investments undertaken by the County from 5.63% in March 2001 to 1.31% in March 2003. Because of the rates cuts, investment income was \$7.7 million or 45.1% below last year's investment income.

**MONTGOMERY COUNTY
MAJOR REVENUE COLLECTIONS
FISCAL YEAR 2003**

<i>TAXES:</i>	<i>REPORTING PERIOD</i>			<i>VARIANCE FY03 / FY02</i>	<i>PERCENT CHANGE</i>	<i>FY03</i>	<i>PERCENT CHANGE</i>	<i>VARIANCE FY02 / FY01</i>	<i>PERCENT CHANGE</i>
		<i>FY03</i>	<i>FY02</i>			<i>REVISED FORECAST</i>		<i>FY01</i>	
INCOME	MARCH	532,061,232	613,885,296	(81,824,063)	-13.3%	-9.6%	568,970,211	44,915,085	7.9%
PROPERTY	MARCH	683,515,730	617,311,495	66,204,235	10.7%	7.1%	587,366,399	29,945,096	5.1%
TRANSFER	MARCH	63,773,677	57,901,420	5,872,257	10.1%	8.0%	46,080,309	11,821,110	25.7%
RECORDATION	MARCH	60,063,012	37,263,937	22,799,075	61.2%	51.4%	23,539,217	13,724,720	58.3%
FUEL/ENERGY	MARCH	13,167,142	11,475,573	1,691,569	14.7%	3.7%	11,108,862	366,711	3.3%
HOTEL/MOTEL	MARCH	7,764,080	7,089,549	674,530	9.5%	18.4%	8,541,444	(1,451,895)	-17.0%
TELEPHONE	MARCH	3,495,057	3,646,764	(151,706)	-4.2%	0.2%	3,839,055	(192,292)	-5.0%
ADMISSIONS	MARCH	1,818,131	1,717,320	100,811	5.9%	3.4%	1,442,042	275,277	19.1%
<i>MISCELLANEOUS:</i>									
INVESTMENT INCOME	MARCH	9,334,250	17,013,975	(7,679,725)	-45.1%	-38.4%	40,495,871	(23,481,896)	-58.0%
HIGHWAY USER	MARCH	17,912,314	18,354,119	(441,805)	-2.4%	-3.7%	17,693,957	660,162	3.7%
<i>TOTAL</i>		1,392,904,625	1,385,659,447	7,245,178	0.5%	-0.6%	1,309,077,367	76,582,079	5.9%

April 10, 2003